

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AF-10 ARA-10
EA-10 NEA-11 OIC-02 JUSE-00 CTME-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
-----007951 091657Z /46

P 091626Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0656
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 08798

USMTN

USEEC

PASS STR ELECTRONICALLY FOR ACTION

STR PASS CODEL

E.O. 11652: N/A
TAGS: ETRD, MTN, EC, FRG
SUBJECT: MEETING BETWEEN DR. GERHARDT ABEL OF FRG AND
AMBASSADOR MCDONALD

1. ON THURSDAY, WE HAD AN EXTENSIVE DISCUSSION OVER
LUNCH ON THE TOKYO ROUND AND THE KEY ISSUES STILL REMAIN-
ING BETWEEN THE U.S. AND THE EC. THE SESSION WAS
ARRANGED AT THE INVITATION OF DR. ABEL.

2. ON A LARGE NUMBER OF SUBJECTS, THE U.S. AND THE
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GERMAN POSITIONS ARE CLOSE, ALTHOUGH THE COMMUNITY CON-
SENSUS IS STILL SOMEWHAT FURTHER AWAY. FOR EXAMPLE, OUR
POSITIONS ON SUBSIDIES, SAFEGUARDS, DISPUTE SETTLEMENT
AND A GENERAL TIGHTENING OF THE DISCIPLINE WITHIN THE
GATT ALL SEEM SIMILAR. ALTHOUGH SUGGESTING WE MIGHT NEED
TO FIND SOME COMPROMISE NEAR THE END, THEY THOUGHT
WE SHOULD PURSUE OUR OBJECTIVES IN THESE AREAS TO MAKE

SURE THAT WE HAVE A SOLID RESULT.

3. AS FOR AGRICULTURE, ABEL INQUIRED ABOUT THE SERIOUSNESS OF THE U.S. REQUESTS ON INDIVIDUAL PRODUCTS. MCDONALD EMPHASIZED THAT THERE WAS NO BALANCE IN THE DISCUSSIONS ON COMMODITY AGREEMENTS AND THAT THE U.S. WAS ONLY COOPERATING IN THE DEVELOPMENT OF THESE ARRANGEMENTS IN ORDER TO HELP THE COMMUNITY TO BE MORE LIBERAL IN RESPONSE TO OUR INDIVIDUAL REQUESTS FOR ACCESS. MCDONALD EMPHASIZED THAT SOME 1U-12 KEY PRODUCTS EMPHASIZED BY AMBASSADOR STRAUSS IN THE MEETING WITH VP GUNDELACH IN COPENHAGEN WERE ALL ESSENTIAL TO PUT TOGETHER A POLITICAL COALITION THAT WILL BE ESSENTIAL FOR ULTIMATE PASSAGE BY CONGRESS OF THE TOKYO ROUND RESULTS.

4. ON TARIFFS ABEL ASKED ABOUT THE U.S. OBJECTIVE AND MCDONALD EMPHASIZED THE POLITICAL AIM TO OBTAIN BALANCED FINAL RESULTS AT OR ABOVE THE LEVELS OF THE CUT ON THE KENNEDY ROUND. MCDONALD ALSO SAID THE U.S. WAS BEGINNING TO TAKE SERIOUSLY THE EC STATEMENTS OF LACK OF INTEREST IN AND CREDIT FOR OUR GREATER-THAN-FORMULA CUTS AND MIGHT JUST DROP THESE AT THE END. ABEL SAID OF COURSE THESE HAVE VALUES BUT INDICATED THAT UP UNTIL NOW THE EC HAS STUCK WITH ITS PRINCIPLE OF NO COUNTERBALANCING CREDITS PARTIALLY BECAUSE THEY HAVE ONLY NOW BEGUN TO ANALYZE THE IMPORTANCE TO THE COMMUNITY OF THESE OFFERS. HE LIMITED OFFICIAL USE

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SEEMED ANXIOUS THAT THE U.S. NOT WITHDRAW THESE SOON AND EMPHASIZED AT LEAST TWICE THAT THE FACT OF POSSIBLE WITHDRAWALS CIRCULATED BY THE COMMUNITY WAS JUST THAT AND NEGOTIABLE.

5. MCDONALD MENTIONED TWO PROBLEMS ON WHICH GERMANY MIGHT REVIEW POSITIONS. THESE WERE:

A. RULES OF ORIGIN. ON RULES OF ORIGIN WE HAVE NO ACCEPTABLE SOLUTION IN VIEW. THE U.S. CONSIDERS THE COMMUNITY'S REFUSAL OF ITS REQUEST FOR A 50 PERCENT RULES OF ORIGIN RULE AS UNREASONABLE. MCDONALD SUGGESTED THAT THIS WOULD UNDERMINE MAJOR OEM TRADE FROM THE U.S. SINCE MANY MANUFACTURERS COULD NOT AFFORD TO HAVE TWO LINES OF PRODUCTS, ONE FOR USE WITHIN THE EC AND A SPECIAL SECOND ONE USING ONLY EC MANUFACTURED COMPONENTS FOR SALE TO EFTA COUNTRIES. IF SOME SOLUTION IS NOT FOUND WITHIN THE TOKYO ROUND, THE U.S. MUST BEGIN LOOKING FOR COUNTER-RESTRICTIVE MEASURES THAT COULD BE UNFORTUNATE BUT MIGHT WELL SPILL OVER FOR AN UNFAVORABLE EFFECT ON GERMAN ITEMS INCLUDED IN U.S. MANUFACTURED GOODS.

B. GOVERNMENT PROCUREMENT. THE EC INITIAL OFFER FOR ENTITY COVERAGE WAS CONSIDERED WOEFULLY LOW, TOTALLING ONLY \$3.6 BILLION, LESS EVEN THAN THE SWEDISH OFFER OF \$3.9 BILLION. OF THIS, THE FRG WAS IN THE MOST AWKWARD POSITION OF ALL WITH AN OFFER OF ONLY SOME \$350 MILLION, EVEN LESS THAN THAT OF DENMARK. SUCH LEVELS SEEM TO BE COMPLETELY OUT OF LINE WITH OTHER OFFERS FROM THE NORDICS AS MENTIONED, THE JAPANESE WITH OVER \$12 BILLION AND THE U.S. WITH ALMOST \$17 BILLION.

6. SINCE FRAU STEEG WILL BE MOVING INTO THE CHAIR OF THE 113 COMMITTEE ON JULY 1, WE ALSO DISCUSSED THE POSSIBILITY OF A QUICK TRIP BY AMB. MCDONALD TO BONN TO REVIEW THE MTN SITUATION AND THE REMAINING LIST OF ISSUES TO BE RESOLVED.
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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 NEA-11 OIC-02
JUSE-00 /169 W

-----007976 091658Z /46

P 091626Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 0657
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 08798

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NO DATES WERE DISCUSSED, BUT DR. ABEL INDICATED THAT A
VISIT BEFORE HER UPCOMING TRIP TO WASHINGTON MIGHT BE
USEFUL. MCDONALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA08798
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780241-1296
Format: TEL
From: GENEVA USMTN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780678/aaaacoqc.tel
Line Count: 174
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b8e5c58c-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2421584
Secure: OPEN
Status: NATIVE
Subject: MEETING BETWEEN DR. GERHARDT ABEL OF FRG AND AMBASSADOR MCDONALD
TAGS: ETRD, US, GE, MTN, EEC, (GERHARDT, ABEL), (MCDONALD, ALONZO L)
To: STATE BONN MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b8e5c58c-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014